



FORCE MANAGEMENT  
POLICY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

04 JAN 2002

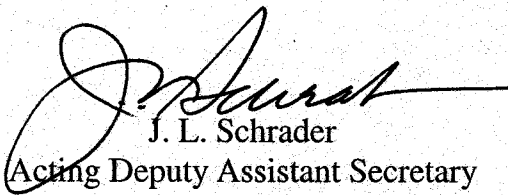
MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Authority to Pay Buyouts by Installment

Section 1151 of Public Law 106-398, the Floyd D. Spence National Defense Authorization Act for Fiscal Year (FY) 2001, amends title 5 United States Code, Section 5597, and authorizes the Department to pay traditional and special workforce-restructuring separation incentives (buyouts) in lump sum or in installments. The amendment provides additional financial planning options for employees receiving a buyout and leaving DoD employment.

The Department, in addition to providing the buyouts in lump sum, will allow payment of buyouts in two installment options. Under the first option, employees may receive their buyout in equal biweekly payments (at a rate selected by the employee) until the full amount of the buyout is paid. The biweekly installment payments may not extend beyond one year from the date of separation. Under the second option, employees will receive their buyout in two payments (one-half of the buyout six months following separation, and the remaining half six months later).

The attached Buyout Payment Guidance and Procedures package provides direction on buyout payments, including the options mentioned above. Components may begin offering employees the opportunity to receive their buyouts by installments on receipt of this memorandum. Questions regarding the attached guidance should be directed to the Civilian Personnel Management Service, Civilian Assistance and Re-Employment (CARE) Division staff at (703) 696-1799, (DSN prefix 426).

  
J. L. Schrader  
Acting Deputy Assistant Secretary  
Civilian Personnel Policy

Attachment:  
As stated

DISTRIBUTION: DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(CIVILIAN PERSONNEL POLICY)  
DIRECTOR, PLANS, PROGRAMS, AND DIVERSITY,  
DEPARTMENT OF THE NAVY  
DEPUTY DIRECTOR, PERSONNEL FORCE MANAGEMENT,  
DEPARTMENT OF THE AIR FORCE  
DIRECTOR FOR MANPOWER AND PERSONNEL (J-1),  
JOINT CHIEFS OF STAFF  
DIRECTOR, PERSONNEL AND SECURITY,  
DEPARTMENT OF DEFENSE INSPECTOR GENERAL  
DIRECTOR, HUMAN RESOURCES MANAGEMENT, DEFENSE  
COMMISSARY AGENCY  
CHIEF, HUMAN RESOURCES MANAGEMENT DIVISION,  
DEFENSE CONTRACT AUDIT AGENCY  
DIRECTOR FOR CORPORATE RESOURCES,  
DEFENSE FINANCE AND ACCOUNTING SERVICE  
CHIEF, CIVILIAN PERSONNEL DIVISION, DEFENSE  
INFORMATION SYSTEMS AGENCY  
CHIEF, OFFICE OF HUMAN RESOURCES,  
DEFENSE INTELLIGENCE AGENCY  
EXECUTIVE DIRECTOR, HUMAN RESOURCES,  
DEFENSE LOGISTICS AGENCY  
EXECUTIVE DIRECTOR, HUMAN RESOURCES, DEFENSE  
CONTRACT MANAGEMENT AGENCY  
DIRECTOR, HUMAN RESOURCES, DEFENSE SECURITY  
SERVICE  
CHIEF, CIVILIAN PERSONNEL DIVISION, DEFENSE THREAT  
REDUCTION AGENCY  
DIRECTOR, HUMAN RESOURCES,  
NATIONAL IMAGERY AND MAPPING AGENCY  
DIRECTOR, HUMAN RESOURCES SERVICES,  
NATIONAL SECURITY AGENCY  
DIRECTOR, PERSONNEL CENTER, DEPARTMENT OF DEFENSE  
EDUCATION ACTIVITY  
DIRECTOR FOR PERSONNEL AND SECURITY,  
WASHINGTON HEADQUARTERS SERVICES  
DIRECTOR, CIVILIAN HUMAN RESOURCES MANAGEMENT,  
UNIFORMED SERVICES UNIVERSITY OF THE HEALTH  
SCIENCES  
DIRECTOR FOR HUMAN RESOURCES, NATIONAL GUARD  
BUREAU

## **BUYOUT PAYMENT OPTIONS GUIDANCE AND PROCEDURES**

### **General Information**

- Section 1151 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year (FY) 2001, Pub. L. 106-398, amended title 5 U.S.C. § 5597 to provide DoD the authority to pay buyouts by installments for traditional downsizing and special workforce restructuring buyouts. The lump sum payment is not affected and employees may continue to receive this type of payment.
- For financial planning purposes, it may be advantageous for some employees to request the buyout by installment. The Department is providing two installment options. Under the first option, employees can receive the buyout in bi-weekly payments in equal amounts at a rate selected by the employee. The bi-weekly installment payments may not extend beyond one year from the date of separation. Under the second option, employees will receive one half of their buyout six months following their separation, and the remaining half six months later.
- The employee buyout, whether received in lump sum or by installment, is subject to Federal, state, and local income taxes, as applicable. The social security (old age, survivors, and disability insurance (OASDI)) tax and/or the Medicare (hospital insurance) tax are withheld for the employee in the same manner as required prior to the employee's separation. The social security tax is subject to an annual wage base limit. There is no annual wage base limit for the Medicare tax; all covered wages are subject to the Medicare tax. Federal income tax will be withheld at the supplemental wage withholding rate (currently 27.5 percent), when applicable. Otherwise, tax withholding will be based on the employee's marital status and the number of withholding allowances claimed on the W-4 form. For a detailed discussion of the withholding rate rules, see IRS Publication 15, section 7 (supplemental wages).

### **Receiving Buyouts by Lump Sum or Installment Payments**

- Employees should be advised of the opportunity to receive the buyout by lump sum or installment payment.
- Procedures for selecting the buyout option are as follows:
  - Employees must request a buyout, specifying their selection of buyout payment: Lump sum or one of the installment options explained above.

- Employees must sign an agreement (sample agreements are attached) that corresponds to their respective payment terms.
- The employee and supervisor negotiate the date on which the employee will leave Government service in exchange for the buyout payment. The supporting HRO effects the personnel action on the agreed date. The available payment terms should be discussed before the written agreement is signed. Once the payment terms are decided and the agreement is signed, the personnel action and payment election are irrevocable.

### **Systems and SF 50 Information**

- Nature of Action (Separation Incentive) and Nature of Action Code (825) will continue to be used for all buyouts (i.e., paid in lump sum or installment). The total amount of the buyout is documented in block 20 of the SF 50. Special remarks will be used on the SF 50 when the buyout is paid by installment. No remark is necessary when payment is by lump sum.
- Remark to be used with the bi-weekly installment option: **“Entitled to (\$ amount) separation incentive pay to be paid at the rate of (\$ amount) per week.”**
- Remark to be used with the six-month installment option: **“Entitled to (\$ amount) separation incentive pay to be paid in two equal installments at the rate of (\$ amount) on (date) and (date).”** Inserted dates should be the beginning of the first pay period six months after the separation date and the beginning of the first pay period six months after the first payment.
- Until these remarks are added to the Defense Civilian Personnel Data System (DCPDS) remarks table, one of the above remarks should be typed on the SF 50, if the buyout is paid by installment.
- Paying buyouts by installments will require changes to DCPDS and the Defense Civilian Pay System (DCPS). Data elements and the necessary systems interface are being established to facilitate the payment of the installment buyouts. Further guidance will be provided as soon as these changes are completed. In the interim, Human Resources Offices (HROs) will process the buyout in DCPDS and annotate the appropriate SF 50 remarks if the buyout is to be paid in installments, as explained above. The HRO will then fax a copy of the SF 50 and the agreement to DFAS and call the pay technician to alert him/her to watch for the action. Once the action has been received, the pay technician will inform the HRO of the date when the initial installment will be made, and pay the buyout as authorized by the

HRO. Unless the notification procedures for installment payments are followed, DFAS will have no option but to pay the incentive in lump sum. If an employee requests payment of the buyout by installment and is inadvertently paid by lump sum, he/she will have the opportunity to repay the lump sum payment and have the installment payments initiated. This may involve a lengthy administrative process.

## VOLUNTARY SEPARATION INCENTIVE PAY AGREEMENT LUMP SUM PAYMENT

2. I understand that an employee who receives a buyout on the basis of a separation occurring on or after March 30, 1994, and accepts employment with the Government of the United States (including employment in non-appropriated fund instrumentalities or with an agency of the United States through a personal services contract with the United States) within 5 years after the date of separation on which payment of the buyout is based, will be required to repay the entire amount of the buyout (gross, before taxes and deductions) to the Federal agency that paid the buyout.

SSN: \_\_\_\_\_

Total Buyout Amount	Payment Terms	Initials
\$	Lump Sum Payment at time of separation.	

HRO Representative Signature \_\_\_\_\_ Date \_\_\_\_\_

4

## VOLUNTARY SEPARATION INCENTIVE PAY AGREEMENT BI-WEEKLY INSTALLMENT PAYMENT

2. I understand that an employee who receives a buyout on the basis of a separation occurring on or after March 30, 1994, and accepts employment with the Government of the United States (including employment in non-appropriated fund instrumentalities or with an agency of the United States through a personal services contract with the United States) within 5 years after the date of separation on which payment of the buyout is based, will be required to repay the entire amount of the buyout (gross, before taxes and deductions) to the Federal agency that paid the buyout.

SSN: 0000-0000

Total Buyout Amount	Payment Terms	Initials
\$	Equal bi-weekly payments of \$ until my buyout is paid in full.	

\_\_\_\_\_  
Employee Signature Date

HRO Representative Signature \_\_\_\_\_ Date \_\_\_\_\_

**"This information is subject to the Privacy Act of 1974, as amended."**

# VOLUNTARY SEPARATION INCENTIVE PAYMENT AGREEMENT SIX-MONTH INSTALLMENT PAYMENT

2. I understand that an employee who receives a buyout on the basis of a separation occurring on or after March 30, 1994, and accepts employment with the Government of the United States (including employment in non-appropriated fund instrumentalities or with an agency of the United States through a personal services contract with the United States) within 5 years after the date of separation on which payment of the buyout is based, will be required to repay the entire amount of the buyout (gross, before taxes and deductions) to the Federal agency that paid the buyout.

SSN: \_\_\_\_\_

Total Buyout Amount	Payment Terms	Initials
\$	Receive one half of my buyout in the amount of \$ , six months following the date of my separation and the second half in the amount of \$ six months later.	

HRO Representative Signature \_\_\_\_\_ Date \_\_\_\_\_

6